

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 2003-902

January 14, 2004

CENTRAL MAINE POWER COMPANY
Request for an Accounting Order for
Deferral of Costs Associated With Buyout
Of Huhtamaki Power Partners Contracts

ORDER

WELCH, Chairman; DIAMOND and REISHUS, Commissioners

I. SUMMARY

We deny Central Maine Power Company's (CMP) request for an accounting order that would permit CMP to defer its costs incurred from buying out two Power Partners contracts between CMP and Huhtamaki Food Service, Inc. Instead, we authorize CMP to account for the buyout payments by charging the entire expense in 2004 as an expenditure by CMP associated with prior conservation efforts that will be recognized in calculating CMP's conservation assessment during 2004.

II. BACKGROUND

CMP is a party to two energy conservation contracts with Huhtamaki Food Service, Inc. (Huhtamaki) entered into pursuant to CMP's Power Partners Program (Section 28 of CMP's Terms and Conditions). One contract, dated April 23, 1990, relates to the Vacuum Dies Replacement Project. The other, dated September 23, 1988, relates to the Secondary Fiber System Project. Both projects are located at the Huhtamaki manufacturing facility in Fairfield and Waterville, Maine.

CMP and Huhtamaki have reached agreement to terminate the two contracts. CMP will pay Huhtamaki a \$332,000 Buyout Payment as consideration for terminating the contract. The termination of the contract is effective on January 1, 2004, subject to CMP receiving an accounting order from the Commission that permits CMP to defer the Buyout Payment as a regulatory asset, with carrying costs, and to amortize the Buyout Payment (including carrying costs) as a conservation expense over the remaining terms of the two contracts. CMP reasons that its costs of buying out the contracts are costs from "prior conservation efforts" as defined by 35-A M.R.S.A. § 3211-A and thus the requested accounting order and cost recovery are proper.

III. DECISION

We agree with CMP that the Huhtamaki buyout costs are properly considered costs for "prior conservation efforts" as defined by Section 3211-A and are recoverable if prudently incurred.

CMP concluded the buyout would produce a nominal savings of about \$113,000.¹ As part of its analysis, CMP had to project estimated energy savings that Huhtamaki would receive from the projects over the remaining contract terms. The Commission Staff reviewed CMP's buyout analysis and Staff has also conducted its own analysis assuming Huhtamaki obtained less energy savings than CMP projected.

The Staff found CMP's estimated energy savings to be reasonable, and therefore that CMP's buyout analysis was reasonable. In addition, the Staff's sensitivity analysis showed that Huhtamaki's operations would have to be reduced to an unexpectedly low amount for Huhtamaki's energy savings from the projects to be sufficiently small for the net present value of the Buyout Payment to turn negative.

Based upon Staff's review, we conclude that CMP's buyout of the Huhtamaki contracts will be prudent. As such, and to simplify the accounting treatment, we find that CMP should expense the Buyout Payment in its entirety when made, and account for the Buyout Payment as a conservation expense incurred in 2004, that will be deducted in calculating CMP's conservation assessment payable to the Commission during 2004.

Dated at Augusta, Maine, this 14th day of January, 2004.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
 Diamond
 Reishus

¹ One contract expires in July 2004, the other in March 2006. Therefore, under any reasonable discount rates, the net present value savings clearly remain positive.

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within **21 days** of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Appellate Procedure.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.